

Message Text

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PAGE 01 STATE 065353

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ORIGIN EB-03

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DRAFTED BY:EB/OT/TA:TFO'HERRON:JVM

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R 180011Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

LIMITED OFFICIAL USE STATE 065353

FOLLOWING REPEAT EC BRUSSELS 2406 ACTION SECSTATE INFO ALL EC
CAPITALS MAR 10.

QUOTE: LIMITED OFFICIAL USE EC BRUSSELS 02406

PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: NON-FAT DRIED MILK MIXING REGULATION

REF: STATE 57607

1. FOLLOWING IS THE TEXT OF THE AIDE MEMOIRE LEFT BY AMBASSADOR
HINTON WITH COMMISSION VICE PRESIDENT SIMONET ON MARCH 10.

2. BEGIN TEXT:

THE US REGRETS THAT DESPITE REPEATED US OBJECTIONS, THE
COMMUNITY HAS DECIDED TO PUT INTO EFFECT SHORTLY A NON-FAT DRY
MILK MIXING REGULATION WHICH IMPAIRS OUR RIGHTS UNDER THE GENERAL
AGREEMENT ON TARIFFS AND TRADE.

THE MIXING REGULATION AND DEPOSIT REQUIREMENTS ARE INCONSISTENT
WITH THE EC'S OBLIGATION UNDER THE GENERAL AGREEMENT AND IMPAIR US
DUTY-FREE BINDINGS ON OILSEEDS, OILCAKE AND MEAL.

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PAGE 02 STATE 065353

WE ARE DISAPPOINTED THAT IN TAKING THIS ACTION THE COMMUNITY HAS
ONCE AGAIN FAILED TO ADDRESS THE BASIC PROBLEM AND INSTEAD
HAS SOUGHT TO SHIFT RESPONSIBILITY TO THE INTERNATIONAL
TRADING COMMUNITY FOR HANDLING WHAT IS ESSENTIALLY A
DOMESTIC SURPLUS PROBLEM.

THE COMMUNITY HAS NOT ANNOUNCED ACTION TO DEAL WITH
THE BASIC CAUSES OF THE OVER-PRODUCTION OF NON-FAT DRY MILK.
ON THE CONTRARY THE 7.5 PERCENT MILK PRICE INCREASE APPROVED
BY THE COUNCIL WOULD, IN OUR VIEW, LEAD TO A SUBSTANTIAL
WORSENING OF THE NON-FAT DRY MILK PROBLEM A YEAR FROM NOW.
THE UNITED STATES ALSO NOTED AND IS CONCERNED THAT THE
COUNCIL DECISIONS DO NOT ASSURE US THAT THE MEASURE WILL
HAVE A TERMINATION DATE DESPITE REPEATED ASSURANCES BY
COMMISSION OFFICIALS THAT IT WOULD BE TEMPORARY AND A ONE-
TIME PROGRAM.

THE TEMPORARY SUBSIDY FOR PRIVATE STORAGE OF 250,000
METRIC TONS OF "CERTAIN PROTEIN PRODUCTS" DOES NOT IN THE US
VIEW SIGNIFICANTLY DAMPEN THE EFFECT OF A NON-FAT DRY MILK
MIXING REGULATION ON US TRADE. SINCE THE SUBSIDY WILL BE
TEMPORARY, RELEASE OF THIS 250,000 METRIC-TON STOCK ONTO THE
MARKET IN THE FUTURE WILL UNDOUBTEDLY HAVE AN ADVERSE IMPACT
ON US EXPORT SALES OF SOYBEANS, CAKE AND MEAL AT THAT TIME.
THE UNITED STATES CONSEQUENTLY INTENDS TO PURSUE THIS MATTER
VIGOROUSLY UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE.
END TEXT. HINTON
UNQUOTE KISSINGER

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Margaret P. Grafeld
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